

Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
November 25, 2008

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READING, MASS.

Start Time of Regular Session: 7:37 p.m.
End Time of Regular Session: 9:35 p.m.

2008 DEC 18 P 12: 26

Attendees:

Commissioners:

Richard Hahn, Chair
Ellen Kearns, Commissioner

Mary Ellen O'Neill, Vice Chair, Secretary Pro-Tem
Philip Pacino, Commissioner

Staff:

Vincent Cameron, General Manager
Paula O'Leary, Operational Assistant

Robert Fournier, Accounting/Business Manager
Jane Parenteau, Energy Services Manager

Citizens' Advisory Board:

Arthur Carakatsane

Introductions

Citizens' Advisory Board Members

Mr. Carakatsane commented that the last time the CAB met was jointly with the RMLD Board and that the CAB was planning to meet in early December.

Selectmen's Liaison – None
Customer Comments - None

Secretary Pro-Tem

The Chairman asked for a volunteer and appointed Ms. O'Neill the Secretary Pro-Tem in the absence of Mr. Soli.

Approval of Minutes for Board Meetings

October 22, 2008

Ms. Kearns made a motion seconded by Ms. O'Neill that the Board approve the Regular Session meeting minutes of October 22, 2008 as presented.

Ms. O'Neill stated her opposition to the minutes regarding the Financial Report and Power Supply Report. She understands that although the information is on-line, a brief paragraph summary should be included in the minutes.

It was the consensus of the Board that in the future minutes there be a brief description of the key points of the discussion on the Financial Report and the Power Supply Report.

Motion carried 4:0:0.

Reports from RMLD Board Committees

Community Relations Committee

Ms. Kearns reported that she and Ms. O'Neill attended a meeting of the Community Relations Committee. The staff explained their intent to revamp the RMLD's website. She added that the RMLD will seek input from the community, customers, and employees as to what the website will look like. Ms. Kearns thanked the General Manager and the entire staff for the presentation.

Operating and Capital Budget Pension/Legal Services Committee

Ms. Kearns reported that she and Mr. Pacino attended this meeting where they voted on hiring an attorney to represent the RMLD in a matter involving Taunton Municipal Lighting Plant. The General Manager recommended Mr. Mark Dean, an attorney from New Hampshire, who is experienced in energy services, and the committee voted unanimously to recommend hiring him.

Ms. Kearns made a motion seconded by Mr. Pacino that the RMLD retain Attorney Mark Dean for the Taunton Project.

Motion carried 4:0:0.

Power Contracts, Rate Setting, Green Power Committee

Ms. O'Neill reported that the committee met on November 15, 2008. The committee listened to Mr. Soli's presentation with regard to some of his issues. At the end of the meeting it was agreed that the Board would ask the Department's auditor to develop a letter of opinion as to how the PASNY credit is handled. Mr. Soli would also have the opportunity to meet with the auditor and present his questions.

Chair Hahn stated that it is his understanding that the General Manager has been in touch with the Department's auditor and has initiated the process.

Ms. O'Neill stated that she would like this committee to meet in December to get caught up on other issues.

Chair Hahn agreed with Ms. O'Neill's report and would like to set up a December meeting. He suggested that Ms. O'Neill and he e-mail dates to Ms. Foti. The meeting would be held at 7:00 in the evening.

Ms. Kearns stated that a meeting of the General Manager's committee is also needed.

Chair Hahn agreed.

Mr. Carakatsane asked when the new rates were initiated.

Mr. Cameron responded, "October 1."

General Manager's Report

APPA Legislative Rally - Scheduled for February 23-26 in Washington, DC

Mr. Cameron stated that some of the outstanding issues are the Regional Transmission Organization (RTO) cost accountability bill and transmission financing - public versus private. He outlined the schedule of congressional meetings that would take place.

Chair Hahn made a motion seconded by Ms. Kearns that the Board authorize the General Manager to attend the APPA Legislative Rally on February 23-26 in Washington DC.

Motion carried 4:0:0.

Annual Reports - Mr. Cameron announced that the annual reports are complete, are on the website, and have been delivered to the four Town Halls.

Massachusetts Municipal Association Meeting (MMA) - Mr. Cameron attended a MMA meeting on Green Communities on November 7, 2008. He found the meeting interesting and noted that it covered many of the items Bob Rodophele spoke on at the October Board Meeting.

Holiday Lighting - Reading - 4:00 P.M. on Sunday, November 30, 2008.

Calendars - Now available and placed in the Board's mail slots.

Ms. O'Neill stated that she was disappointed that no representative from the RMLD was present to make a report to the subsequent Town Meeting. She stated that the Board needs to make sure that does not occur again.

The Board agreed.

Ms. O'Neill asked if the Department is making any contribution to any fuel or energy assistance programs this year?

Mr. Cameron responded, "only through the Good Neighbor Energy Fund."

Ms. O'Neill asked about the low-income program that was done last year.

Mr. Cameron stated that the Department did not provide a donation this year for the HEARTWAP program. He stated that the Department is concentrating its efforts in the service territory through the energy conservation program, and he did not think HEARTWAP was the best use of the RMLD's energy conservation money.

General Manager's Report

Ms. Kearns asked if the customers are paying their bills on time.

Mr. Fournier will respond to this when he discusses the financials.

Financial Report for the month of October 2008

Mr. Fournier summarized the results for the first four months of FY2009 ending October 31, 2008 as follows:

- RMLD made a little under \$400,000 in October bringing the year-to-date net income to just over \$2 million, or \$702,000 over what was budgeted for this period.
- Difference between the actual fuel expense and the actual fuel revenue is \$1,046,864 with revenues exceeding expenses.
- Base revenues were under budget by \$1.1 million or 7%.
- Purchased power base expense was \$636,560 over budget due to increases in transmission and capacity costs.
- Actual purchased power base costs were \$8.8 million compared to the budgeted amount of \$8.2 million.
- Operating Fund balance - \$9,385,138; Capital Fund balance - \$4,729,919; Rate Stabilization Fund balance - \$6,108,162; Deferred Fuel balance - \$1,952,195.
- Budget variance – All five divisions are under budget by a total of \$194,800 or 3.3%.
- Fuel charge is trending downward for the balance of the calendar year.

Mr. Fournier announced that the Business Office would be closed the day after Thanksgiving.

In response to Ms. Kearns' question regarding accounts receivable, Mr. Fournier stated that 95% of the customers are current. He added that some customers are irate that their bills are too high. He said that lien letters for two of the towns have been mailed, and that the Department is hearing from its customers how tough it is out there.

Ms. Kearns asked about an item being under budget by \$94,000 and what it is.

Mr. Fournier responded that it is "structures and equipment" and it is the Senior Techs. He added that at the moment much of their labor is budgeted in the capital budget and that has not occurred yet.

Chair Hahn stated that it appears the pensions and benefits in the budget variance report are significantly over budget and noted that it seems to be a continuing trend.

Mr. Fournier stated that this is related to the capital budget and that this year's capital budget is very aggressive. He added that this is the loaded hourly cost meaning that it is the hourly labor amount as well as the cost of fringe benefits. This fringe benefit cost is offset with a credit in the expense account, and since the capital labor has not been as intense as what was budgeted, the credit is not as high due to lack of capital work.

In response to Chair Hahn's remark that one of the Engineering and Operations items was significantly over budget, Mr. Fournier stated that most labor variances could be attributed to how the capital and expense sides are divided.

In response to Mr. Carakatsane's observation that the fuel was over collected by \$1 million, Mr. Fournier stated that this amount was for the first four months.

Ms. O'Neill asked about some overages—Office Supplies in Accounting and the Labor in the Community Relations.

Mr. Fournier stated that according to FERC a lot of the banking charges are charged to the Office Supplies and not enough was budgeted for the year. The Town of Reading determines whom the RMLD banks with.

In response to Community Relations Labor, Mr. Fournier did not have anything specific, but noted that one employee is a floater between Human Resources and Community Relations. Human Resources is under budget and Community Relations is over budget, so it may be the mix between the two.

Financial Report for the month of October 2008

Ms. O'Neill wanted to follow up on her comments from last month. She knows that the Budget Committee was going to discuss some of it, but that did not work out due to the length of the recent Power Contracts and Rate Setting Committee meeting.

Mr. Pacino stated it will be discussed at the next Budget Committee meeting.

Power Supply Report for the Month of October 2008

Ms. Parenteau reported on the RMLD's power supply for October 2008 as follows:

- Load was down 4% as compared to October 2007.
- 57,092,505 kWhs were purchased.
- Energy costs were approximately \$4.4 million equivalent to \$.077 per kWh.
- October fuel charge was \$.089.
- Fuel revenues were over collected by approximately \$432,000 resulting in a Deferred Fuel Cash Reserve balance of \$1.95 million.
- Subsequently, the fuel charge was lowered by \$.005/kWh and is anticipated to go down another \$.005/kWh in December.
- Projected calendar year-end (December) balance is \$2.5 million in the Deferred Fuel Cash Reserve.
- Purchased 16% of energy requirements from the ISO Spot Market.
- On the capacity side, a peak demand of about 98 MW occurred on October 1, at 8:00 P.M.; monthly requirement was 234.7 MWs, and the total capacity costs were \$1.5 million or \$6.51 per kW month.
- Approximately \$611,000 in transmission charges was paid in October.

Ms. O'Neill questioned the peak of 98 MW compared to the capacity requirement of almost 235 MWs.

Ms. Parenteau explained that is a result of the way the market is structured.

Chair Hahn added that the number also includes a reserve margin.

Ms. O'Neill asked if the Department knew what the requirement would be for next year based on this year's peak.

Ms. Parenteau responded that the Energy Services Division (ESD) has to wait to see what the entire pool peaked at and that number is not presently available.

Ms. O'Neill asked for an update on the Energy Conservation program.

Ms. Parenteau stated that she has been working with the Human Resource Manager as far as filling the new position. ESD is working with Mr. Fournier in terms of breaking out the revenues received from both the residential and commercial classes.

Mr. Carakatsane referred to Table 5 in the report and questioned the increase.

Ms. Parenteau responded that there has been a significant increase in transmission costs, which is related to being a part of the regional network service in New England. These increases became effective June 1, 2008.

Ms. Kearns stated that she noticed that the number of energy audits increased. She wondered if those customers who had the audit performed could be surveyed to see if their energy costs have gone down. She thought the audit may be too routine, and perhaps not cost effective. She added that it may be time to go out to bid again.

Ms. Parenteau responded that she hopes that this is one of the items that the new person will bring on board. She said that the Department wants to know if the customer is not implementing the audit's recommendations for financial reasons or because he/she does not know where to begin with the recommendations. The new energy person would take it to the next step by giving the customer the tools and the ability to implement the changes.

Engineering and Operations Update for the Month of October 2008

Mr. Cameron presented the Engineering and Operations update for October 2008 as follows.

- Reading Center Project - \$4,318 - Continuing work with manholes and streetlights.
 - Station 4 Transformer Replacement – \$13,180 - Disconnect switches and Jersey barriers arrived. Some labor was also charged.
 - Service Installations – Commercial/Industrial - \$6,397; Residential - \$12,226.
 - Routine Construction - \$236,985 – Most of it was Overhead Maintenance.
 - Forced Accounts - \$33,931 – Included the continuing work on Route 129/Lowell Street, Wilmington.
 - Meters - \$16,118 – 200 Meters were delivered.
 - CAIDI – how quickly (average) power is restored to RMLD customers – 48.34 minutes.
 - SAIFI - how many outages (average) each RMLD customer experience per year – 1.07.
- (Mr. Cameron noted that the RMLD is below the industry average for both indices.)

Chair Hahn asked if two tree crews are still working.

Mr. Cameron responded, “Yes”, and added that the second tree crew will be returned in January.

Ms. Kearns stated that according to the Strategic Plan the Board is supposed to get periodic updates of energy conservation measures and asked how often those are due.

Mr. Cameron stated that he would check, however, he believed the updates were at the end of the fiscal year and at the end of the calendar year.

Ms. O'Neill stated that the Lobby looks good, and she was pleased with the results. She stated that she also appreciates the clean-up of a pole in her neighborhood that had graffiti on it.

Ms. O'Neill asked about the timetable on the Gaw Substation Project.

Mr. Cameron stated that there is still a slippage of 30 days at this point. The Department is working with the consultant now to see if there is any way to mitigate some of the slippage. Inside work originally scheduled for spring will begin during the winter months and hopefully that will help to get the schedule back on track. Mr. Cameron noted that the slippage should not be construed as a money issue, and it does not mean more money will be spent. The capacity of the Gaw transformers should be able to handle next summer's peak.

Chair Hahn asked if the Department forecasted next summer's load and would it be less than this year's?

Mr. Cameron stated that he, Ms. Parenteau, and Mr. Seldon have been looking at the revenue estimates and the kWh sales, and he noted that the Towns are making a concerted effort to cut back on energy use. He believes that with normal weather, next year's peak will be less than this year's.

Chair Hahn asked about the schedule for energizing the new transformers at the Gaw substation.

Mr. Cameron said that the first one may be energized in April; the second in May; and was unsure about the third.

M.G.L. c. 30B Bid

Mr. Cameron stated that this bid was for structures and equipment (disconnect switches and associated structures for the 115kV coming into the ring bus) at the Gaw substation. Four bids were received and prices ranged from \$50,900 to \$119,000; however, all of the bids were disqualified for not meeting the bid specifications and/or missing documentation. The Department is in the process of re-bidding.

Ms. O'Neill asked if this would add further delay to the Gaw project.

Mr. Cameron stated that the Department will have to look at the schedule; however, energizing the transformers is not contingent on the disconnect switches and associated structures.

Chair Hahn asked if the General Manager would deem them to be parallel activities on the critical path?

M.G.L. c. 30B Bid

Mr. Cameron stated that it could.

Discussion ensued.

Letter from Town Manager

Chair Hahn stated that the four board members present tonight signed a letter and sent it to the newspapers in the four towns. Chair Hahn received a letter from the Reading Town Manager suggesting that the four board members, who signed the letter, vote tonight to ratify the signing of it. He added that the purpose of ratification is to eliminate any potential concerns over Open Meeting Laws. Chair Hahn noted that the letter from Mr. Hechenbleikner does not say that any violation occurred. Chair Hahn said that this is a pre-emptive measure.

Chair Hahn made the following motion seconded by Mr. Pacino:

Move that Commissioners Kearns, O'Neill, Pacino, and Hahn vote to ratify their signatures on a letter previously executed by them which was prepared in response to Commissioner Soli's letter of September 18, 2008. A copy of the letter previously executed by Commissioners Kearns, O'Neill, Pacino, and Hahn is attached to this motion.

Ms. Kearns stated that if she remembers correctly, in either September or October she received an e-mail from Commissioner Hahn and Mr. Cameron that said a response to Commissioner Soli's letter to the editor that appeared in the Reading Advocate and Reading Chronicle had been drafted for your review, and if you believe in the letter and you want to sign the letter, go to the GM conference room and put your signature on the letter. Ms. Kearns added that she has had no conversation with Commissioner Hahn about that letter or any conversation with anyone about that letter. She went to the GM conference room and signed it.

Chair Hahn stated that is an accurate description of what occurred.

Mr. Pacino stated that this issue came up many years ago. He talked to a woman at the District Attorney's office who oversees the open meeting law. She referred Mr. Pacino to the case, which unfortunately he left at his office. He stated that it was someone versus the University of Massachusetts Board of Trustees where they said that if you are reviewing something and making some comments, you really do not fall into the definition of a meeting that is discussing public policy. Mr. Pacino added that he believes that this falls into that same category, and he does not think the RMLB violated any public meeting laws, because they did not have a meeting to discuss public policy. He stated that the definitions in this area are very vague or non-existent. Even though the present board members are voting for the motion to make sure that they are covered, he does not think any open meeting law was violated. He said that he is upset that legal money was spent on this.

Chair Hahn stated that he agreed with Mr. Pacino that there are definitely no violations; however, why the letter from the Town Manager was sent, he does not know. He said that the letter makes a suggestion that the action would have no downside and it could keep this issue from continuing past tonight. He added that this is probably the best course of action at this time.

Mr. Pacino agreed.

Motion carried: 4:0:0.

Mr. Cameron stated that there is a second item on Mr. Hechenbleikner's letter about serial phone calls and conversations that might have occurred between board members about an issue that had to do with the rate structure. He suggests that the Commissioners, who had conversations with respect to this, should describe what occurred on the phone call or in a conversation to make it a part of the public record. He added that he believes that Commissioner Soli contacted some Commissioners either by phone or in person to discuss the issues of the rate structure.

Ms. Kearns said that she spoke with the General Manger this afternoon and it seems to her that if Mr. Hechenbleikner is correct, it's a "gotcha" statute. She described what happened to her. She said that she came home from work and there was a message on her message machine from Mr. Soli. The message was that he intended to submit a letter to the Reading Chronicle and/or the Reading Advocate regarding the Board's vote on the increases in the base rate unless she voted to stay that motion or stop the new rates from going into effect. Ms. Kearns called Commissioner Soli, and she said that the Board just voted on this at the meeting, and asked if Mr. Soli had anything new to add, and is there anything beyond what was said at the Board meeting? Mr. Soli stated that it's all in his

Letter from Town Manager

letter. Ms. Kearns said to send her a copy of the letter. She said that if that is a violation of the open meeting law, she doesn't understand it.

Chair Hahn stated that he did not believe that the conversation by itself is a violation, but the fact is that Mr. Soli made similar calls to Chair Hahn and to Commissioner O'Neill. Chair Hahn said that by discussing it at this meeting and announcing what happened, the Board is taking a similar pre-emptive measure. He stated that this whole affair has been an enormous distraction and has taken the Board's attention away from some important issues and placed the Board in a dysfunctional mode. He said that as much as he was not in favor of the General Manager's suggestion, it probably is good medicine right now. Chair Hahn stated for the record that Mr. Soli made a similar call to him threatening that if he did not change his vote he would go to the Department of Public Utilities.

Ms. O'Neill stated that she thinks with regard to the letter from the Town Manager, the Board does not really have a choice. She added that it has to be dealt with. She said that the letter is very specific in the second paragraph on how to cure the particular potential violation. Ms. O'Neill did not get a phone call but she saw Commissioner Soli in person on three different occasions: the monthly peace vigil, the library, and primary day election where this subject did come up. She said that she remembers Mr. Soli talked to her about his issue with the PASNY credit, but she admits that she doesn't remember exactly what he said to her with regard to the rates. He did let Ms. O'Neill know that he was thinking of sending a letter.

Mr. Pacino stated that just for the record Mr. Soli did not call him or contact him on this issue. Mr. Pacino added that under the Open Meeting Law if you do meet someone at a social occasion, you can discuss business.

Chair Hahn stated that however, if that exchange occurs and later on a similar exchange occurs with each board member, it is called a serial open meeting, and that's what Mr. Hechenbleikner's concern is. He said that by discussing it here tonight, the Board has availed themselves of the appropriate remedy. He added that the motion was voted and they followed the General Manager's suggestion, so he stated it is time to move on to other business.

General Discussion

None

SCHEDULE FOR UPCOMING BOARD MEETINGS

Wednesday, December 17, 2008

Thursday, January 8, 2009 – T-Shirt Award Ceremony

Wednesday, January 28, 2009

Board Rotation at Citizens' Advisory Board Meetings:

Tentatively, Tuesday, December 9, 2008, Location to be determined - Chair Hahn to attend.

Board Material Available but not Discussed

Rate Comparisons-November 2008-Chair Hahn asked that the Rate Comparisons be printed in larger font.

E-Mail responses to Account Payable/Payroll Questions

E-Mail relative to FINCOM Agenda November 5, 2008.

Board Material Available but not Discussed

Ms. O'Neill asked if the topic on the FINCOM Agenda has gone on to any other FINCOM agenda and is the Department staying in touch with that.

Mr. Cameron stated that he does not believe it is on any other agenda, and the Department usually gets notified.

Board Material Available but not Discussed

Mr. Pacino stated that the RMLD is supposed to give a report to the FINCOM.

Mr. Cameron said that he would follow up on this.

Executive Session

At 8:51 p.m. Ms. O'Neill made a motion seconded by Ms. Kearns that the Board go into Executive Session to discuss power supply issues based on Chapter 164 Section 47D exemption from public records and open meeting requirements, to discuss strategy with respect to litigation and return to Regular Session for the sole purpose of adjournment.

Motion carried by a polling of the Board 4:0:0.

Ms. Kearns, Aye; Mr. Pacino, Aye; Ms. O'Neill, Aye; and Chair Hahn, Aye.

Motion to Adjourn

At 9:35 p.m. Mr. Pacino made a motion seconded by Ms. O'Neill to adjourn the Regular Session.

Motion carried 4:0:0.

A true copy of the RMLD Board of Commissioners minutes as approved by a majority of the Commission.

Mary Ellen O'Neill, Secretary Pro-Tem
RMLD Board of Commissioners